PRESS RELEASE

Land Commissioner debunks energy rumors at Congressional hearing

Patterson sets record straight on profitability, safety of Texas oil and gas production on state lands

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WASHINGTON — Tap water catching on fire due to so-called “fracking-contaminated groundwater” were among several wild tales the Texas Land Commissioner rebutted last week before a Congressional committee.

Commissioner Jerry Patterson dispelled several urban myths and laid out the facts about the safety and profitability of energy exploration on state lands to the U.S House Natural Resources committee on April 17.

Patterson, joined by Ohio Oil and Gas Resources Management division head Richard Simmers and Utah Lt. Gov. Gregory S. Bell (see photos below), argued that the federal government should follow Texas’ example of operating on publicly held lands.

Below are some of the misconceptions addressed by the panel and Commissioner Patterson.

MYTH NO. 1: OIL COMPANIES OBJECT TO PAYING ROYALTIES

Even though Texas charges about twice the royalty rates as the federal government, the state still provides a great value for taxpayers and energy companies. Federal royalties average around 12.5 percent, and Texas between 20-25 percent.

“We believe if industry isn’t making money, then we’re not making money for the education of our schoolchildren,” said Land Commissioner Jerry Patterson. “If we make it economic for industry, they will even pay higher royalties, because the process is predictable and the regulations are reasonable,”

The result of Texas’ consistent regulatory environment and permitting process has been greater state revenue, more exploration activity and drilling, and a renaissance of good-paying energy jobs. Meanwhile, the total onshore acreage leased for the last four years under the Obama Administration is at a two-decade low, according to Committee figures.

MYTH NO. 2: OIL AND GAS ACTIVITY DISCOURAGES GREEN ENERGY, ONLY PROFITS BIG BUSINESS

Not only does Texas lead in oil and gas production on both state and private land, Patterson said, but the Lone Star State is No. 1 in installed wind power generation capacity (about 10,500 megawatts). Texas also boasts the nation’s first offshore wind generation lease.

The only reason wind (and other alternative power sources such as geothermal) aren't faring better than they already are, Patterson said, is because natural gas prices are so low.

The Texas energy boom is a blessing, considering the recent debate over school finance.

"Our oil and gas revenues are dedicated to public education, and has tremendous support from voters, whether they're Democrat or Republican," Patterson said.

The revenue collected from energy production leases on state land goes toward Texas public and higher education. Oil and gas revenues came in at $1.4 billion last year — "which was a record in the cases of our Public University Fund and Permanent School Fund," Patterson told the committee.

MYTH NO. 3: PERMITTING PROCESS TOO LAX ON STATE LANDS

Regulations are put in place by every state for safety and environmental reasons. But the difference between regulatory processes on federal lands versus state lands is a stark one. On federal lands, it takes an average of 307 days (44 weeks) to approve a permit for a drilling site. In that period of time, the state of North Dakota would have issued 30 permits and Texas 20.

Utah Lt. Gov. Gregory Bell added that while many state leases end up being unproductive for oil companies, over-regulation removes the incentive for those companies to take the risks normally associated with exploration. Bell decried the Administration's regulations as "federal overreach" which "hamper the development of vitally needed energy."

"The one-size-fits-all regulatory structure being pursued by the Administration is a waste of time and energy," said Committee Chairman Doc Hastings (R-Washington). "The difference in regulatory needs between Texas, Ohio, and Utah are about as diverse as they can be, yet the administration is proposing a one-size-fits-all rule for federal lands regardless of what state they're in."

MYTH NO. 4: EXPLORATION CAUSES ENVIRONMENTAL DAMAGE

Hydraulic fracturing — or "fracking" — has become a scapegoat in certain quarters. Patterson added that while the state has interest in the chemicals used in the fracking process, there has been no known contamination from fracking in Texas. Even the Obama Administration has said so.

"I'm not aware of any proven case where the fracking process itself has affected water, although there are investigations ongoing," said EPA Administrator Lisa Jackson to a Congressional Oversight committee hearing in May 2011.

Patterson added that fracking has been going on in Texas for 50 years. But that doesn't stop rumors from spreading about it — particularly one relayed by Rep. Carol Shea-Porter (D-New Hampshire) about flames coming out of water pipes (allegedly because natural gas had leaked into groundwater sources due to fracking).

"Sometimes certain issues take on a life of their own – it's not so much how important they are," Patterson said. "It's like fracking is some kind of new pariah. For some reason, it's taken a life of its own in the pop culture."

MYTH NO. 5: NUMBER OF PERMITS HIGHER IN OBAMA ADMINISTRATION THAN DURING BUSH ADMINISTRATION

Contrary to statements made by several Democratic members during the committee hearing, data from to the Energy Information Agency, (EIA) shows that from 2005-08 (during Bush's second term), 25,058 drilling permits were issued on onshore federal lands. From 2009-12 (during Obama's first term), 17,077 drilling permits were issued on onshore federal lands. That's a decrease of more than 30 percent.

"While the Obama Administration's claims that total U. S. oil and gas production is increasing on their watch is true, that's only because of the increasing production on state owned and privately owned land — where, ironically, the royalty rates are higher than royalty rates on federal land!" Patterson said. "Oil and gas permits issued on federal lands during the last four years (2009-12) have declined 30 percent from the prior four years (2005-08).

"Since oil companies pay a lower royalty rate to the feds than the states, the decline can only be attributed to federal red tape and the current administration's policy schizophrenia regarding hydrocarbon energy production. With the implementation of a predictable, consistent and simplified regulatory regime on federal lands, the feds could facilitate and benefit from the increased revenue and dramatic job growth that is now occurring as a result of energy production on state and private lands.

"We hope the Obama administration will take note of what Texas, Ohio, North Dakota and other states are doing and join the domestic energy renaissance of the 21st Century."

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